



Targeted Merit Aid: Tennessee Education Lottery Scholarships

**NASSGAP / NCHELP
21st Annual Student Financial Aid Research Network Conference
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June 10, 2004**

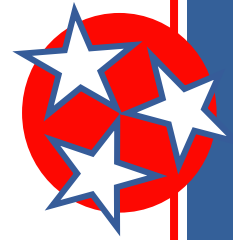
**Erik Ness
Vanderbilt University
Tennessee Higher Education Commission**

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Tennessee Higher Education Commission**



Review of Financial Aid

Need-based Aid



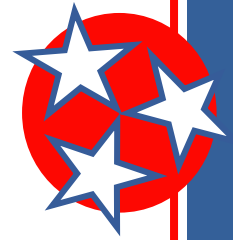
- Higher Education Act 1965
 - Educational Opportunity Grant
- Reauthorization of Higher Education Act 1972
 - Basic Educational Opportunity Grant (Pell)
 - 1973 - \$122 million
 - 1999 - \$7.2 billion
 - State Student Incentive Grant (SSIG)
 - 1969 – 19 states appropriated less than \$200 million
 - 1979 – 50 states appropriated more than \$800 million
 - 2002 – 50 states appropriated more than \$3.8 billion

Targeted Merit Aid: Tennessee HOPE



Review of Financial Aid

Merit-based Aid



- California Master Plan (1960)
 - No/low tuition
 - Three tier system
- Georgia HOPE Scholarships (1993)
 - Income caps for first two years (\$66,000; \$100,000)
 - 3.0 GPA requirement
 - 1994 –\$21.4 million
 - 2003 –\$360.7 million
- Currently, 13 states with broad-based merit scholarships

Targeted Merit Aid: Tennessee HOPE



Recent Criticism of Merit Aid

Harvard Civil Rights Project (Heller and Marin, 2002)



- In 2001-2002, the 12 merit aid states awarded \$863 million in merit aid and \$308 in need aid.
- Merit aid awards students who would already attend college
 - Merit-Based College Scholarships and Car Sales (C. Cornwell and D. Mustard, May 2002)
 - High schools with high participation rates (Heller and Rasmussen, 2002)
- Merit aid is disproportionately distributed with minorities and low-income students receiving lower percentage of awards
 - Georgia HOPE (Dynarski, 2002)
 - “Reverse targeting” (Mumper, 2003)



Research Design

Data Source

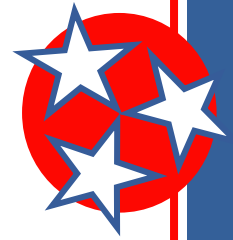


- ACT national database (2001, 2002, 2003)
- Self-reported data 90% accurate according to ACT (Maxey and Ormsby)
- Data sorted by the appropriate scholarship criteria in each state: high school GPA and ACT score
 - Further sorted by race and family income level



Research Design

Case Selection

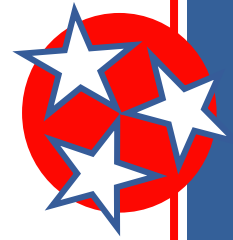


- States with GPA and ACT scholarship requirements
- From 12 potential comparison states to 3:
 - Florida (ACT / SAT)
 - Louisiana (ACT)
 - West Virginia (ACT)
- Limited to ACT states, which does not include Georgia



Research Design

Data Analysis



- Descriptive statistics based on aggregate nature of data
- Impact of scholarship criteria on four states over three years (2001-2003)
 - Each state's scholarship criteria
 - Apply TELS criteria to each state
 - Substitute 'and' with 'or' in each state
- Specifically interested in the effects of various criteria on African American students and students from families with annual incomes of \$36,000 or less.



Tennessee Education Lottery Scholarship

Policy Evolution



- Lottery referendum passed by 58% in November 2002
- Background of the Education Lottery Taskforce
- Deliberations of the Lottery Taskforce
- Initial Taskforce Recommendation
- Final Taskforce Recommendation
- House Bill 787
- Shift from GPA ‘and’ ACT to GPA ‘or’ ACT
- TELS as “targeted” merit aid



Tennessee Education Lottery Scholarship

Criteria



- HOPE (base): 3.0 GPA or 19 ACT -- \$3,000
- HOPE w/ Need supplement: 3.0 GPA or 19 ACT, AGI below \$36,000 -- \$4,000
- General Assembly Merit Scholarship: 3.75 GPA and 29 ACT -- \$4,000
- Access Award: 2.75 GPA and 18 ACT, AGI below \$36,000 -- \$2,000
- Wilder-Naifeh Technical Skills Grant: Tennessee Technology Center students -- \$1,250

Targeted Merit Aid: Tennessee HOPE

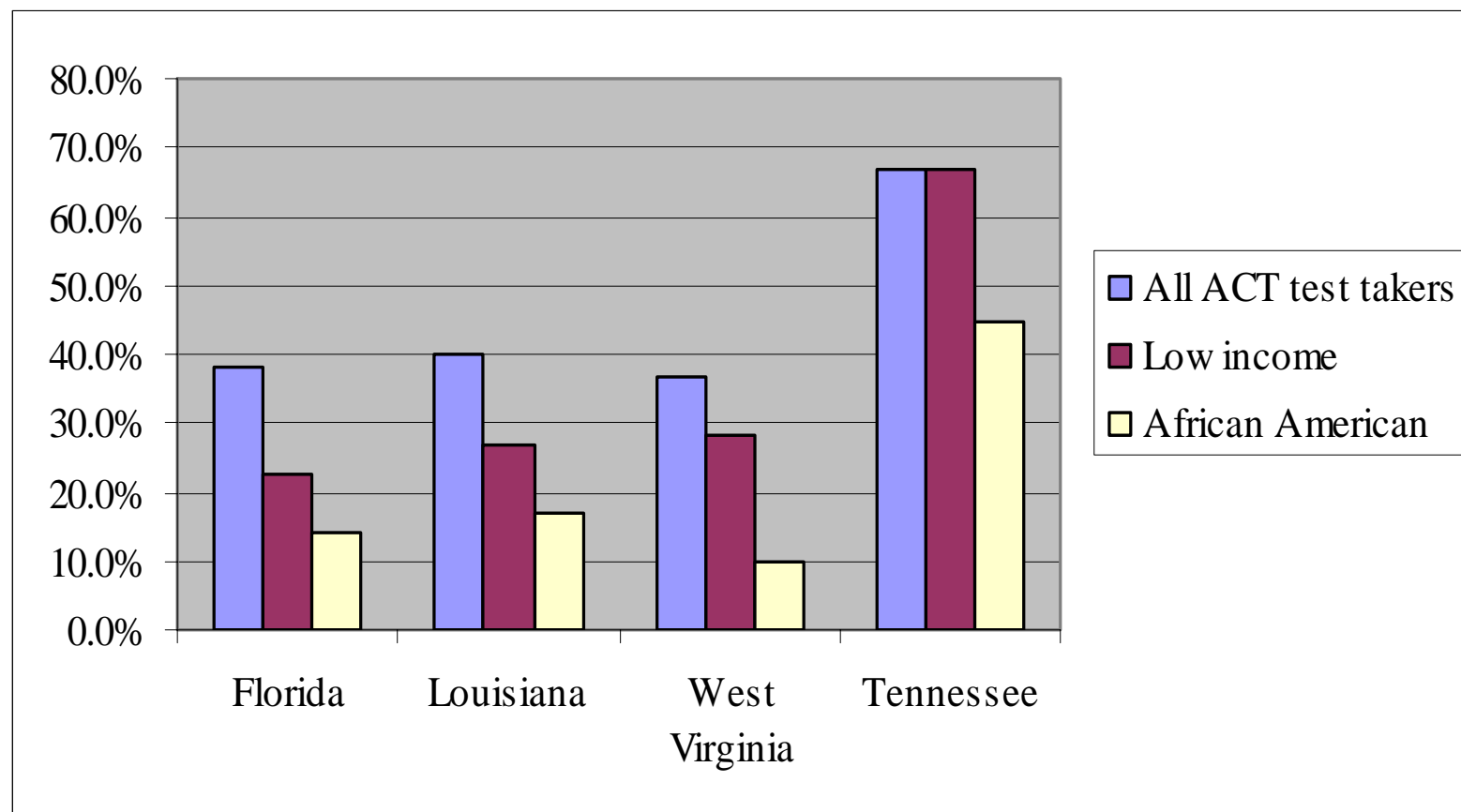




Findings

State Comparison Using Respective Scholarship Criteria

PERCENT OF STUDENTS ELIGIBLE



Targeted Merit Aid: Tennessee HOPE

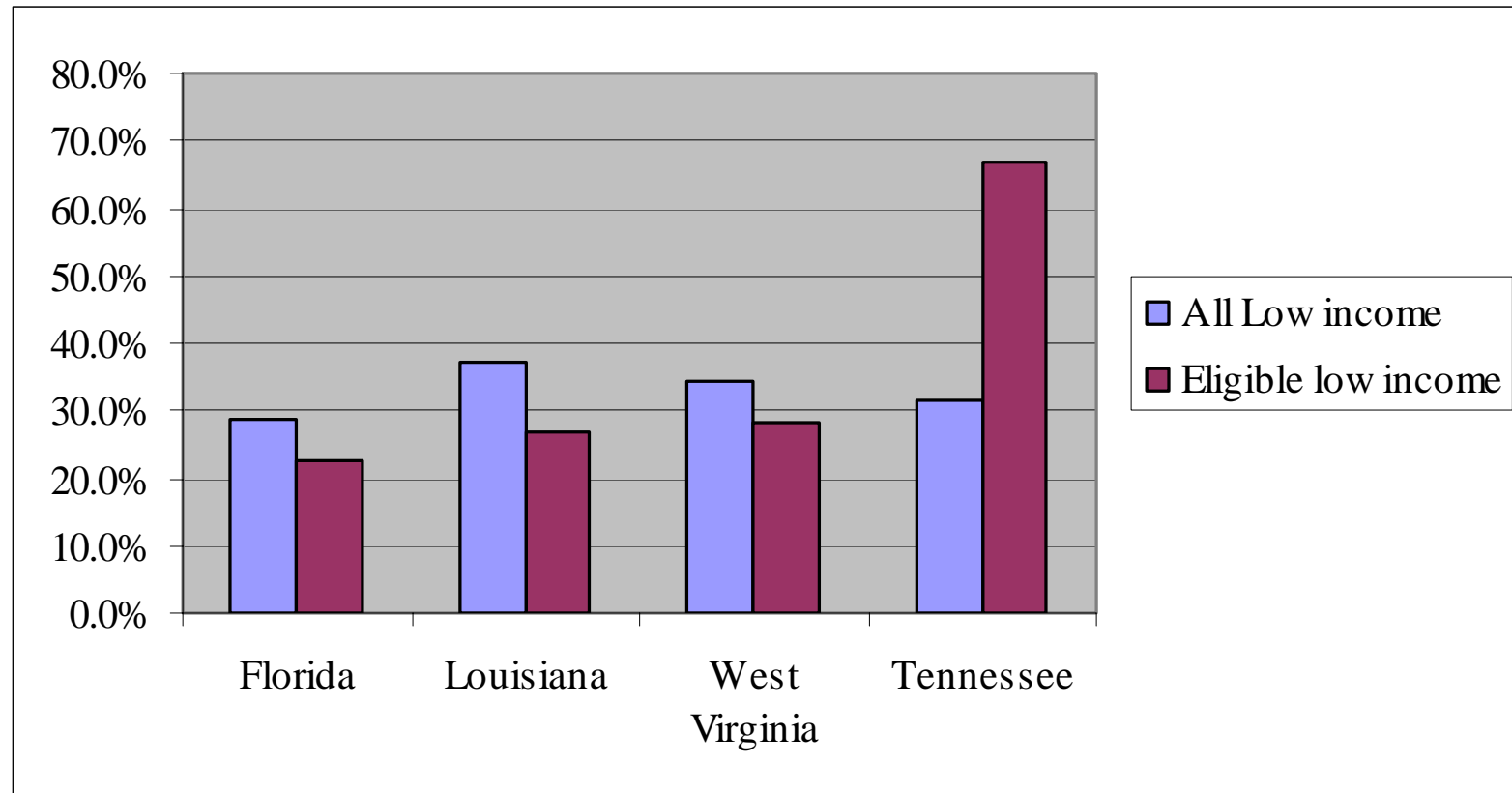




Findings

State Comparison Using Respective Scholarship Criteria

PERCENT OF LOW INCOME STUDENTS ELIGIBLE



Targeted Merit Aid: Tennessee HOPE

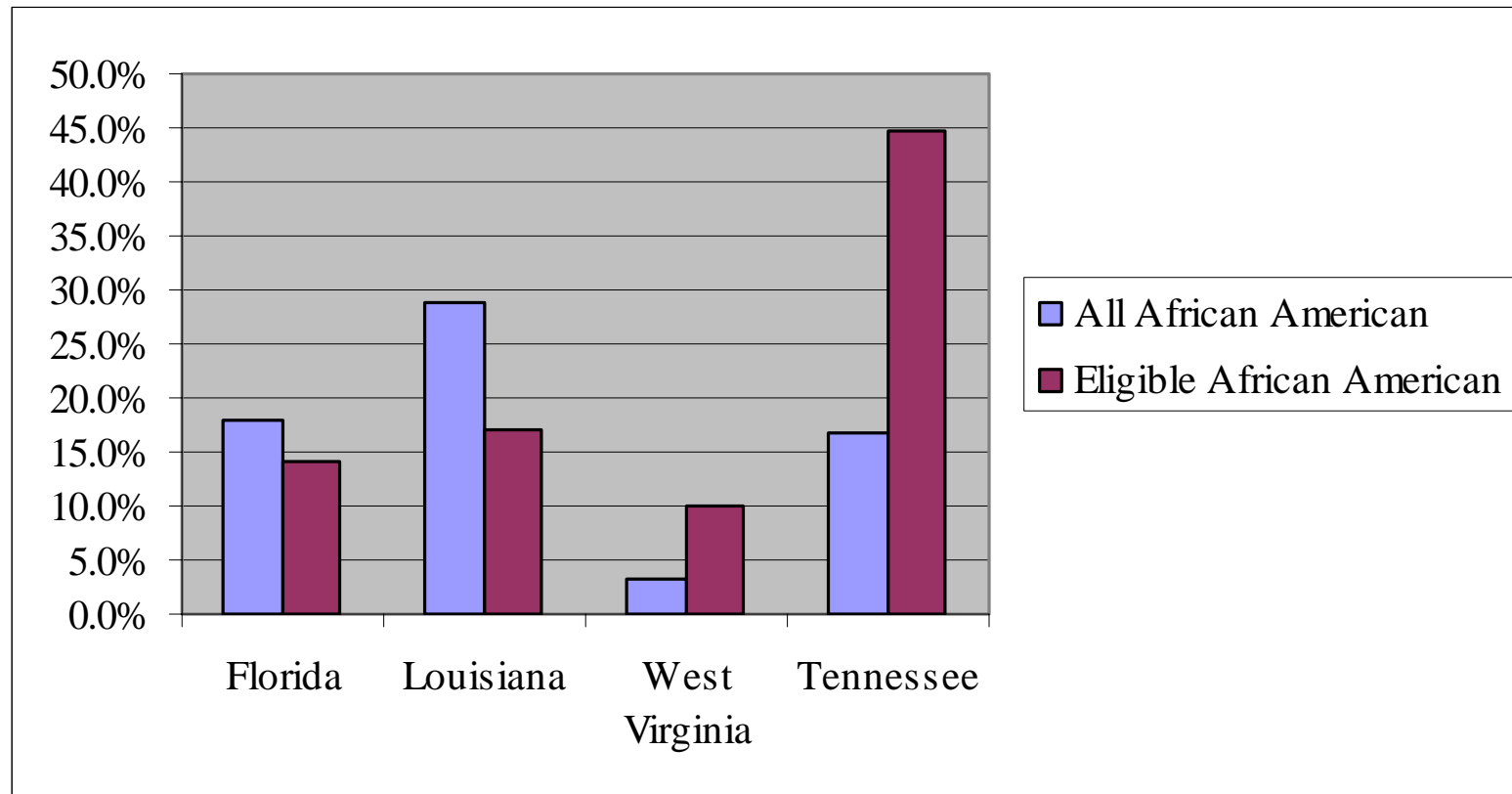




Findings

State Comparison Using Respective Scholarship Criteria

PERCENT OF AFRICAN AMERICAN STUDENTS ELIGIBLE



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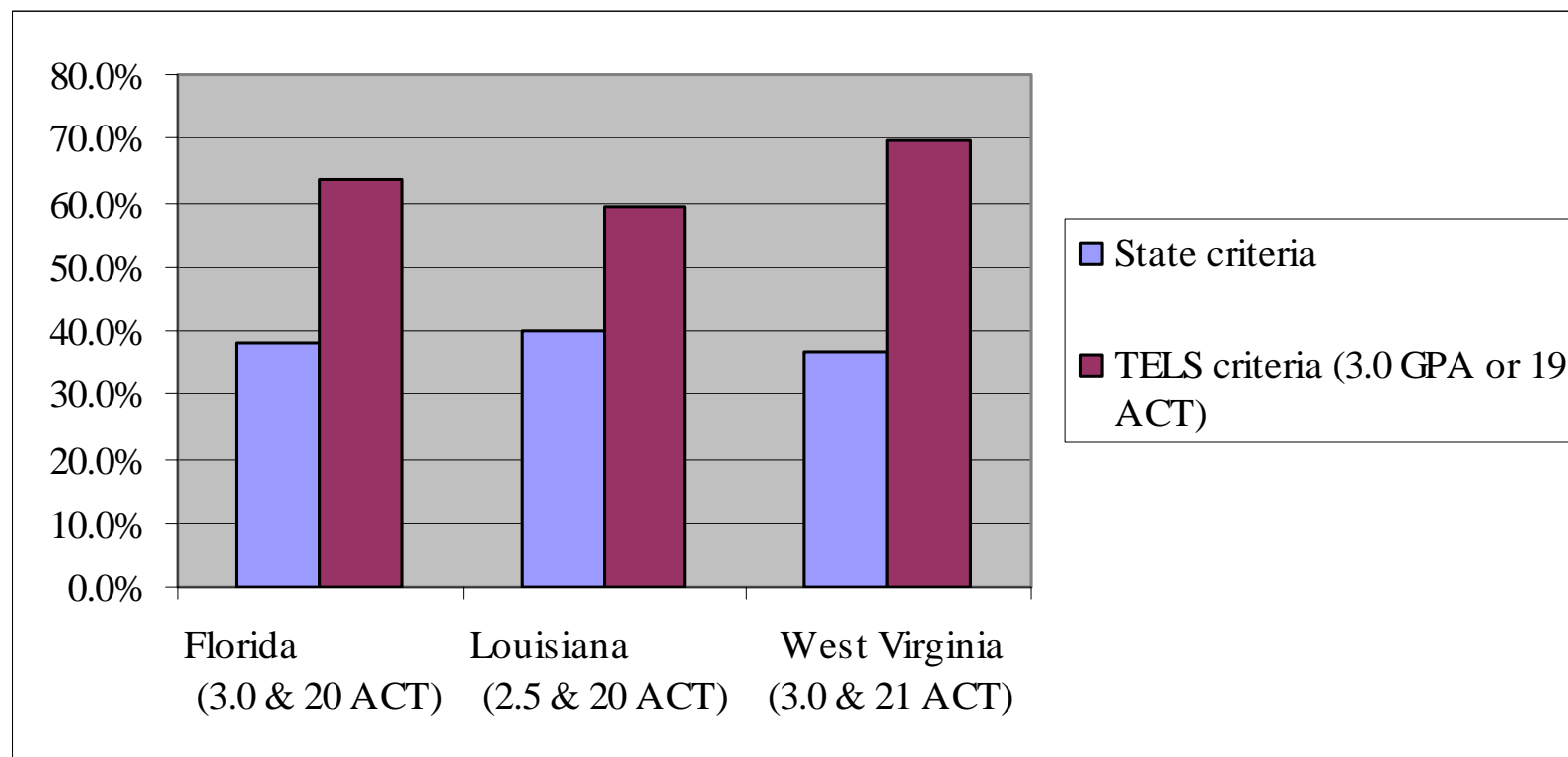


Findings

State Comparison Using TELS Scholarship Criteria



PERCENT OF STUDENTS ELIGIBLE

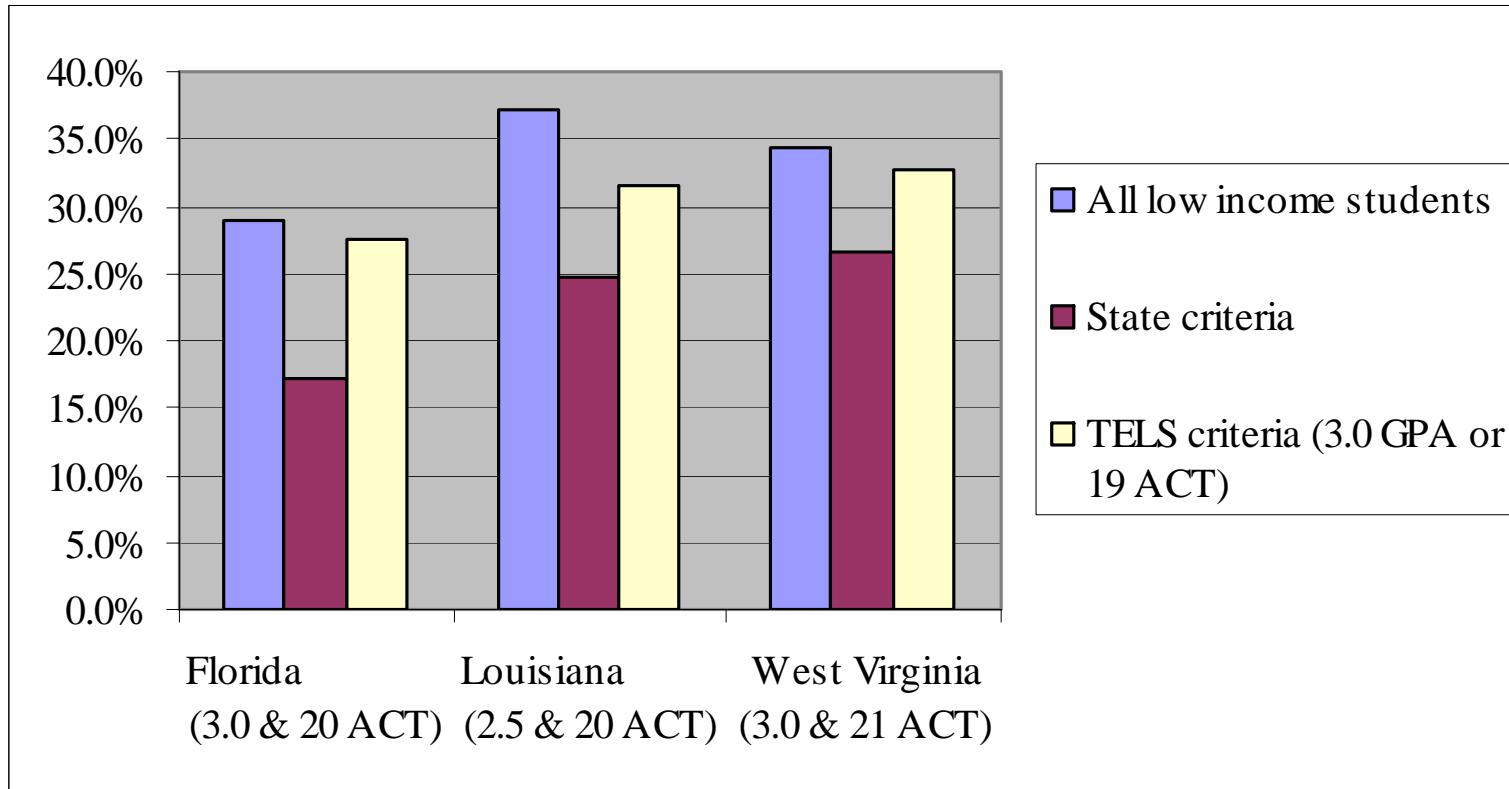


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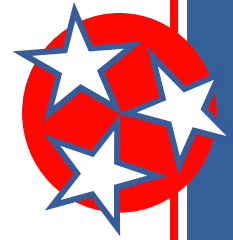


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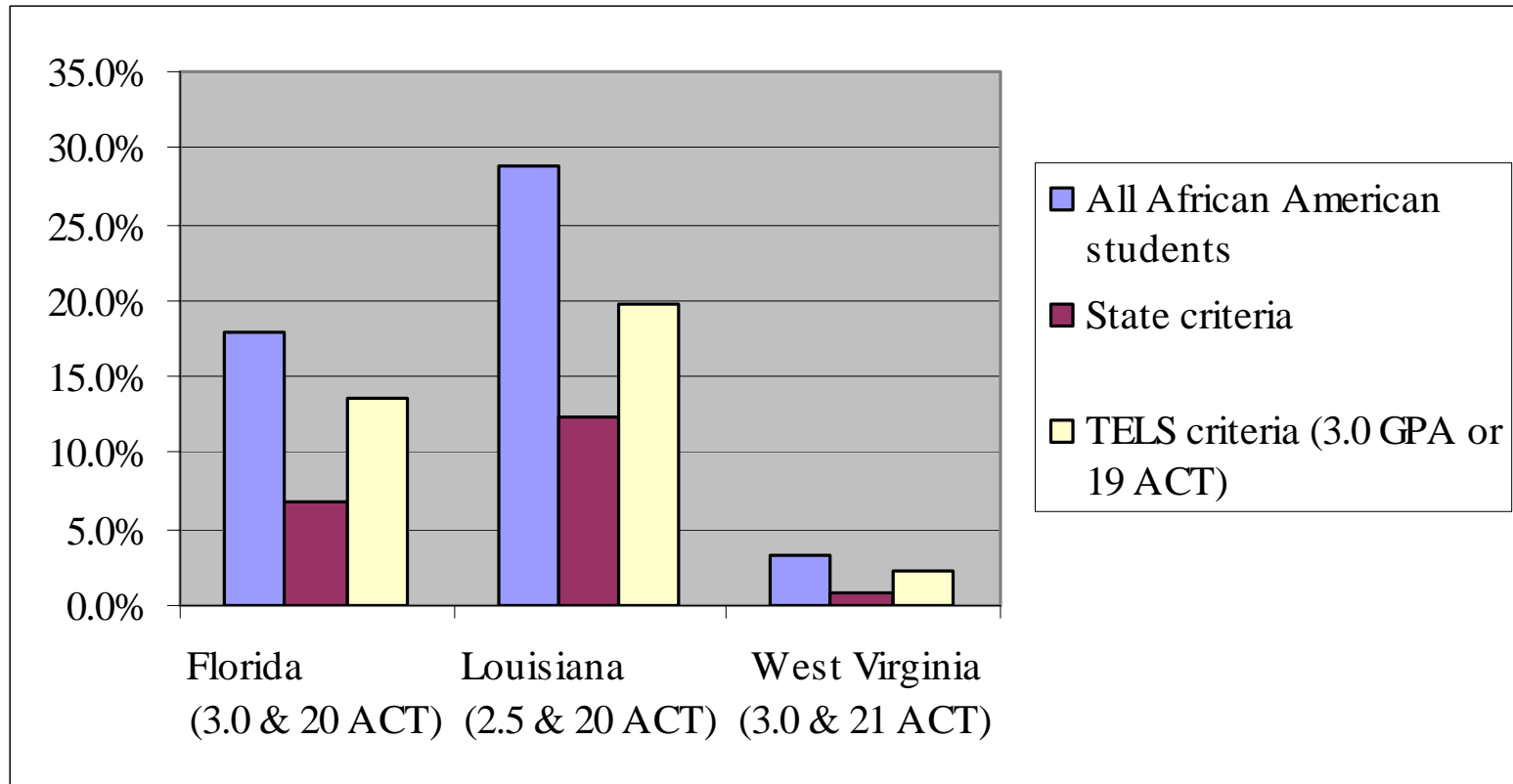


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PERCENT OF AFRICAN AMERICAN STUDENTS ELIGIBLE



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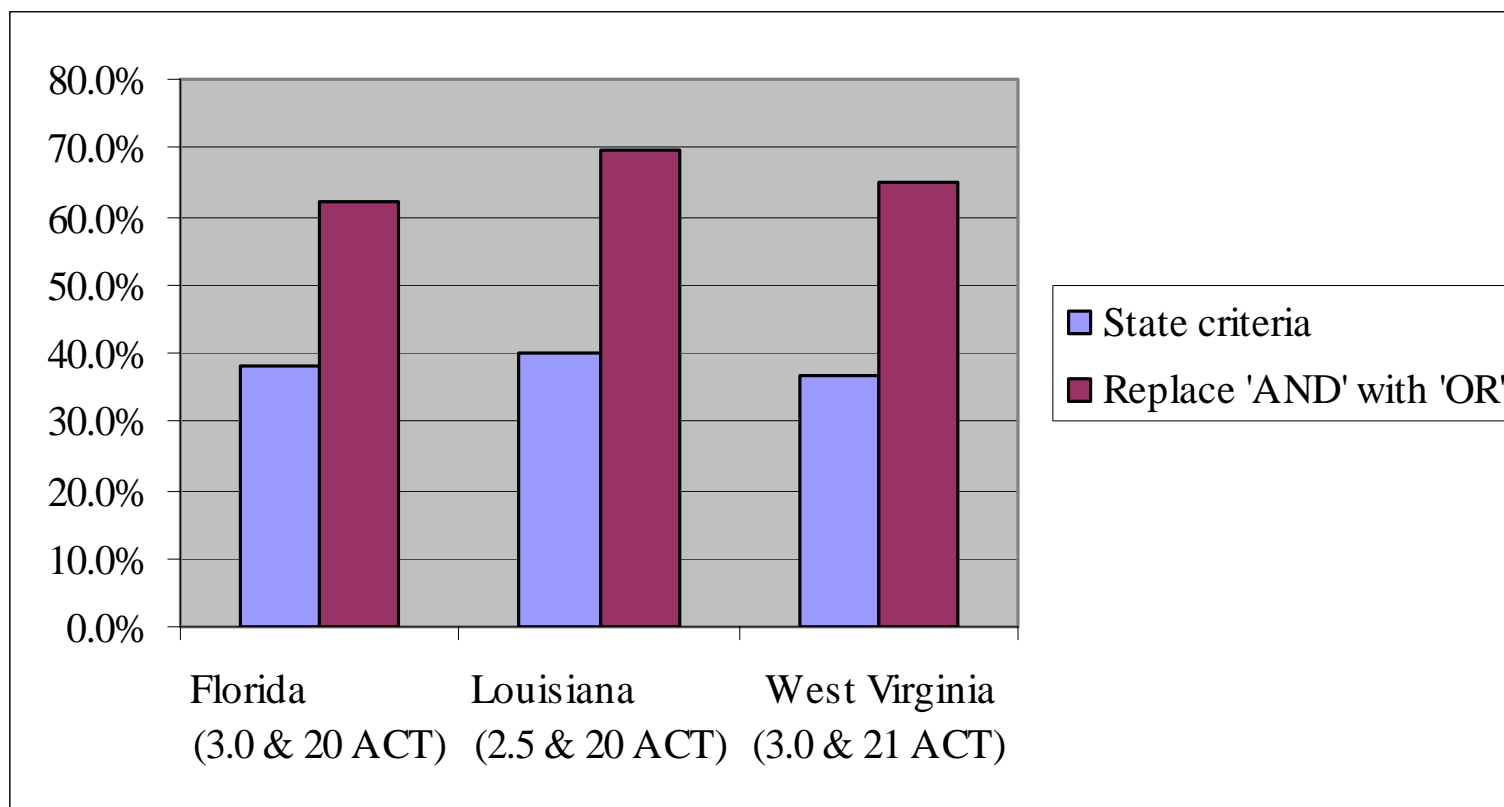




Findings

State Comparison Changing 'AND' to 'OR'

PERCENT OF STUDENTS ELIGIBLE



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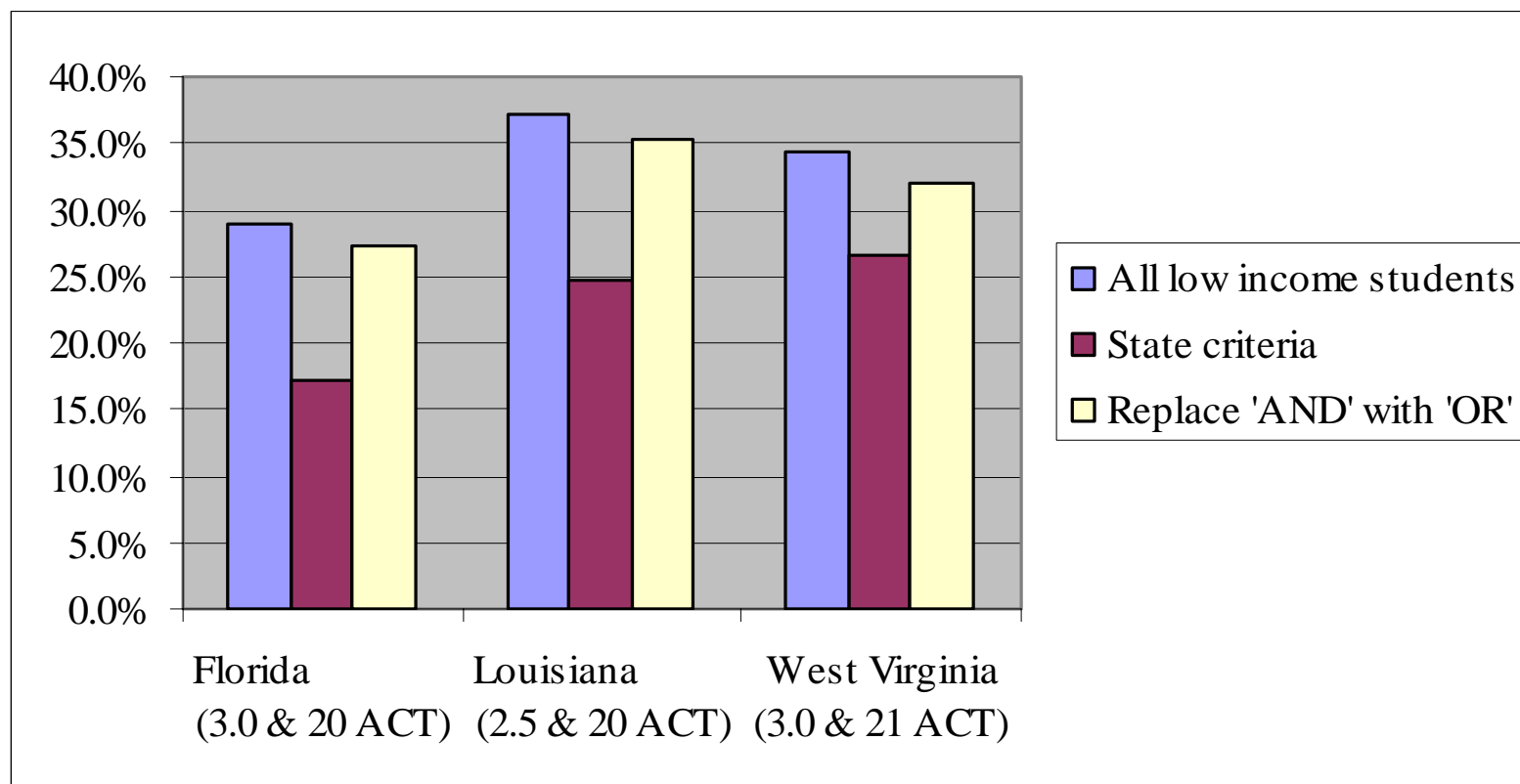




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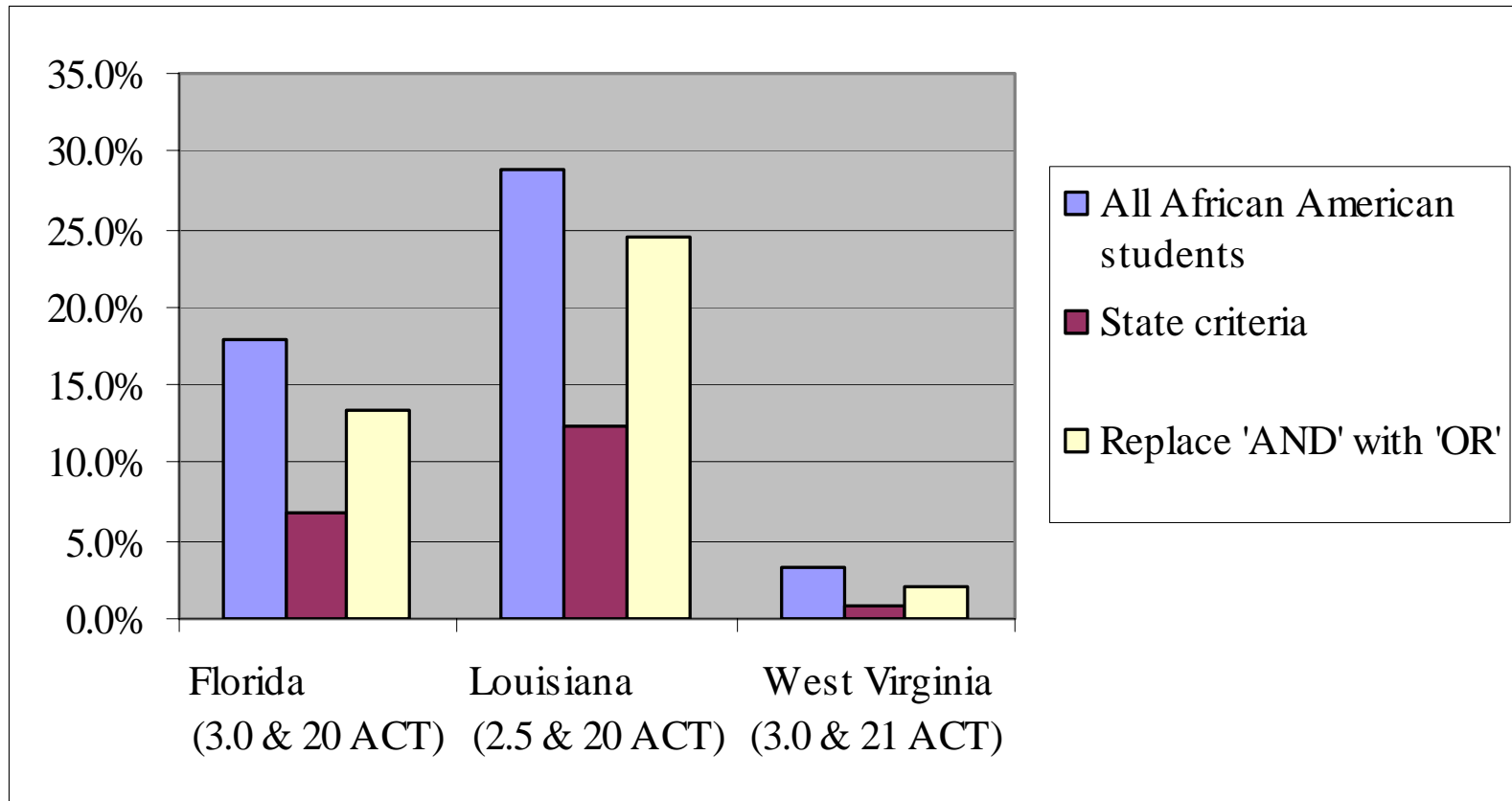


Findings

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PERCENT OF AFRICAN AMERICAN STUDENTS ELIGIBLE



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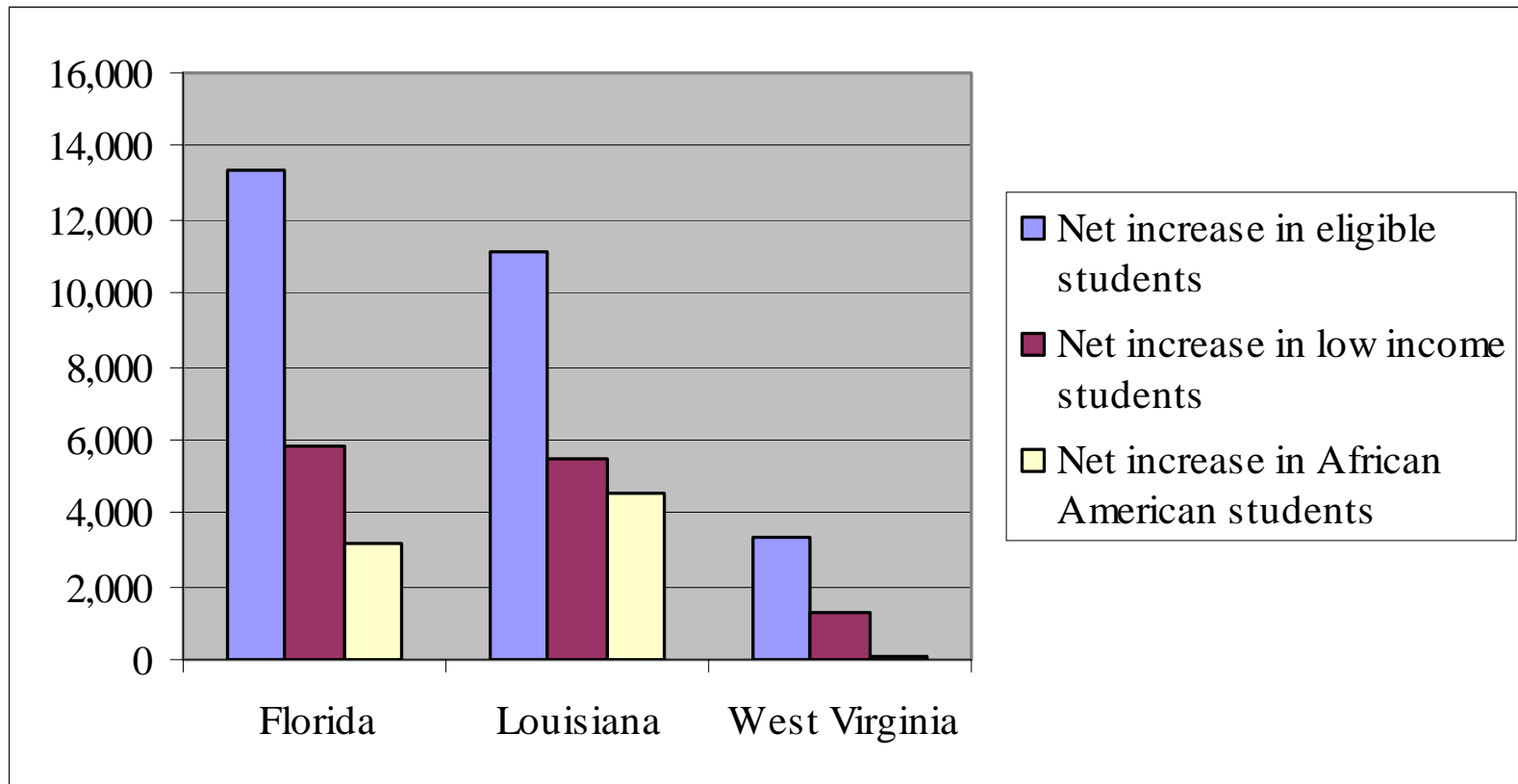


Findings

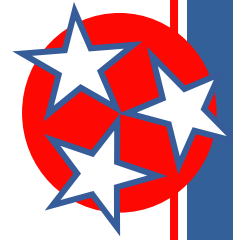
State Comparison Changing 'AND' to 'OR'



NET INCREASE OF ELIGIBLE STUDENTS



Implications *Research*



- Recognize the differentiation within merit aid programs (and need-based aid)
 - GPA and ACT/SAT requirements matter
 - Level of income caps for need aid matter
- Consider the impacts or effects of how various financial aid models (need, merit, targeted, etc.) meet national / state goals
 - Graduation and retention rates
 - Brain Drain
 - Retention of Best and Brightest



Implications

Policy



- Two primary implications of ‘targeted’ merit aid:
 1. Broaden access to poor and minority students, indeed all students.
 2. Bankrupt the merit aid program.
- Means testing remains most efficient way to target financial aid; however, income caps have not been sustainable.
- Importance of income data
 - Especially, when states alter eligibility criteria to show how revised criteria affect students most dependent upon financial aid.
- Unintended consequences become *intended*

